

Message Text

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ACTION NEA-07

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PASS AID

EO 11652: GDS
TAGS: EAID IN
SUBJ: AID TO INDIA

REF: STATE 020797

1. DURING CALL BY ECONOMIC COUNSELOR ON ANOTHER MATTER
V. KRISNASWAMY, JOINT SECRETARY, MOF, BROUGHT UP SUBJECT
OF NEGATIVE RESOURCE TRANSFER TO INDIA IN THE CONSORTIUM
CONTEXT. EMPHASIZING THAT HIS REMARKS WERE ONLY "INFORMAL",
HE RECALLED THAT A FEW WEEKS BEFORE, GOI HAD RECEIVED
LETTER FROM MP STERN (WORLD BANK) PROJECTING AID EXPECTED
FROM MEMBERS OF AID TO INDIA CONSORTIUM. LETTER POINTED
OUT THAT SEVERAL AID DONORS WOULD BE IN POSITION OF NET
NEGATIVE RESOURCE TRANSFER, AND SUGGESTED GOI MIGHT
WANT DISCUSS THIS BILATERALLY WITH DONORS.

2. HE THEN SAID GOI NOTICED THAT FY78 AID PROPOSALS TO
CONGRESS DID NOT INCLUDE DEVELOPMENTAL ASSISTANCE FOR
INDIA. ECONOMIC COUNSELOR EXPLAINED US POSITION AS
INSTRUCTED IN REFTEL. KRISNASWAMY WAVED THIS ASIDE AS
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NOT BEING THRUST OF WHAT HE WISHED TO DISCUSS. ACCORDING
TO HIM, THE AID PROPOSAL CONTAINED FOR INDIA ABOUT \$85
MILLION FOR TITLE I, AND APPROXIMATELY \$100 MILLION FOR
TITLE II.

3. HE POINTED OUT THAT SINCE INDIA WAS UNLIKELY NEED
GRAIN AGAIN THIS NEXT YEAR, IT WAS POSSIBLE THAT TITLE I

WOULD ACTUALLY AMOUNT TO VICINITY \$20 MILLION. HE ALSO MENTIONED THAT WHILE TITLE II WAS OFFICIALLY RECOGNIZED AS AID, INDIA HAD ALWAYS FELT THAT THIS WAS IN A DIFFERENT CATEGORY AS IT DID NOT HAVE ANY REAL MONETARY EFFECT ON THE ECONOMY. HOWEVER, HE SAID, EVEN GRANTING TITLE II AS AID, THE TOTAL PL480 PACKAGE WOULD NOT COVER THE APPROXIMATELY \$138 MILLION DEBT REPAYMENT TO THE US AND THAT THE US THEREFORE FOR THE FIRST TIME WOULD BE POSITION OF NET NEGATIVE RESOURCE TRANSFER.

4. US, AS LEADING MEMBER OF CONSORTIUM, HAD GREAT IMPACT ON ATTITUDES OF THE OTHER MEMBERS. HE SAID OTHER MEMBERS TENDED TO FOLLOW US LEAD IN CONSORTIUM AND ILLUSTRATED HIS POINT BY SAYING THAT UK, AMONG OTHERS, HAD JUSTIFIED A POSITION ON AID THEY HAD TAKEN RECENTLY BY POINTING TO US POSITION.

5. HE STATED THAT US STANCE TOWARD DEBT RELIEF WAS CLEARLY KNOWN, AND THAT AS RESULT, INDIA HAD REFRAINED FROM PURSUING SUBJECT WITH USG; INDIA, HE SAID, WAS INTERESTED IN RESOURCE TRANSFER, REGARDLESS OF THE FORM IT TOOK, BUT STILL BELIEVED THAT DEBT RELIEF WAS EFFECTIVE AND DESIRABLE MEANS OF RESOURCE TRANSFER.

6. KRISNASWAMY THEN DESCRIBED DISCUSSIONS HE HAD BEEN HAVING WITH CANADIANS. THEY HAD EXPLORED MEANS MAINTAINING AID LEVEL UNDER CONDITIONS WHERE WHEAT WOULD NOT BE PART OF PACKAGE. HE HAD BEEN INFORMALLY INFORMED THAT THE CANADIAN REACTION TO HIS SUGGESTION THAT THE WHEAT BE CONFIDENTIAL

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REPLACED BY FERTILIZER WAS FAVORABLE. HE SAID THAT QUESTION CANADIANS HAD HAD WAS WHETHER THEY COULD SUPPLY FERTILIZER ON THE SAME GRANT BASIS AS FOOD GRAIN UNDER CANADIAN LAW, BUT KRISNASWAMY HAD RESPONDED THAT IT WAS RELATIVELY IMMATERIAL IF IT WAS GRANT OR LONG TERM LOAN AS LONG AS AID LEVEL MAINTAINED.

7. USING THIS AS BASE FOR FURTHER DISCUSSION, HE THEN SAID THAT PERHAPS A SIMILAR ARRANGEMENT COULD BE WORKED OUT WITH US AS A MEANS OF MAINTAINING AID LEVEL. HE DID NOT LIMIT PROSPECTIVE COMMODITIES TO FERTILIZER, HOWEVER, BUT SAID ANY KIND OF COMMODITY ASSISTANCE NEEDED BY INDIA WOULD BE DESIRABLE. KRISNASWAMY AVOIDED DIRECT ANSWER TO SPECIFIC QUESTION BY ECONOMIC COUNSELOR AS TO WHETHER MAIN GOI INTEREST IN THIS CONTEXT WOULD BE DEBT RELIEF OR DEVELOPMENTAL ASSISTANCE. ON MORE THAN ONE OCCASION HE MENTIONED THAT DEBT RELIEF WAS DESIRABLE BUT THAT US POSITION ON THIS WAS CLEAR.

8. KRISNASWAMY THEN SAID HE WAS DRAFTING NOTE TO AMBASSADOR KEWAL SINGH ENCLOSING THE STERN LETTER. THE AMBASSADOR WAS BEING ASKED TO KEEP IN MIND THE US POSITION ON DEBT RELIEF, AND BEING REMINDED THAT ON DEVELOPMENTAL ASSISTANCE NEITHER GOVERNMENT HAD BEEN IN POSITION OF MAKING FIRST STEP IN DISCUSSING THIS. IN VIEW OF THE STERN LETTER, HOWEVER, THE AMBASSADOR WAS BEING ASKED TO EXPLORE USG VIEWS ON AID LEVELS IN THE CONSORTIUM CONTEXT.

9. COMMENT: KRISNASWAMY WENT OUT OF HIS WAY TO EMPHASIZE THAT THIS WAS NOT A FORMAL APPROACH BUT THAT THE GOI WAS INFORMALLY EXPLORING THIS SUBJECT AS PREPARATIONS WOULD HAVE TO BE MADE FOR THE CONSORTIUM MEETING IN MAY. IT IS PROBABLE, HOWEVER, THAT KRISNASWAMY WAS SPEAKING WITH THE APPROVAL OF HIS SUPERIORS; HIS INSTRUCTIONS TO KEWAL SINGH WILL CONFIRM THIS. IT IS APPARANT THAT KRISNASWAMY WAS TAKING THE FIRST STEP TOWARD WHAT COULD

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ULTIMATELY BECOME A GOI REQUEST FOR BILATERAL ECONOMIC ASSISTANCE.

11. WE WOULD APPRECIATE THE GUIDANCE OF THE DEPARTMENT AND AID IN REGARD TO HOW TO RESPOND TO KRISNASWAMY'S INFORMAL APPROACH.
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